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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

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January 26, 1998

Mr. William Kennard  
Chairman  
Federal Communications Commission  
1919 M Street NW  
Washington, DC 20554

CC Docket No. 97-211

Re: In the Matter of Worldcom, Inc. and MCI Communications Corporation for  
Special Authority to Transfer Control of MCI Communications Corporation to  
Worldcom, Inc.

Client Relationship Docket No. 97-211

Mr. Chairman:

Our company, Quest Information Systems, Inc. ("QUEST"), is one of a group of nationwide independent businesses which has sold telecommunications services to the general marketplace using MCI Communication Corporation ("MCI") products and services.

We are small entrepreneurs who invested millions of dollars of capital to partner with a company that we believed would operation with the integrity that its image portrayed.

We now feel a sense of betrayal and anger from our realization that MCI was trying to destroy our small company. We experienced a pattern of treacherous and duplicitous business practices conducted by MCI. Please see Exhibit 1. MCI fraudulently and deceitfully misrepresented our customer revenue to us, diverted our commissions, since then, refused to pay us and further harmed our business and reputation by simply failing to give our customers the services and benefits they were due. We have also discovered that these practices of MCI have been widespread among the group of nationwide agents.

The effect of this have been not only to drive us out of business, thereby eliminating us as competitors, buy our customers, in cases, end up paying higher prices. MCI operates as an essential input to our firms, by withholding or excessively delaying our access to more

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competitively priced products, MCI has caused these customers to pay more and has gained more. Similarly, MCI has repeatedly adversely affected the timeliness and quality of the input products and services to us while continuing to provide input to their operation on a timely basis. Our orders were 'slowly and inaccurately' processed, yet MCI's orders were more speedily processed. The consequence was to overall degrade the quality of our product, thereby reducing the overall benefit to our downstream end customers.

Further, MCI has erected an obstacle course of rules and preconditions for resolving disputes that block any recourse for a real remedy. Overall, these practices have amounted to economic coercion, they have imposed hardship on us and have devastated a number of our businesses.

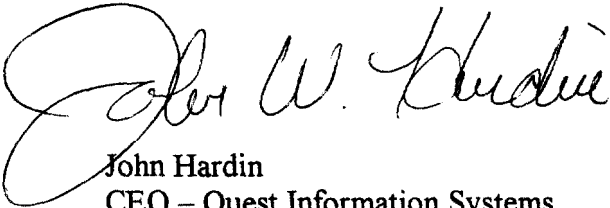
We believe that these practices by MCI constitute a matter of serious and compelling pertinence to our evaluation of the proposed merger. We respectfully request that you deny the proposed merger upon the condition that MCI resolves and remedies the harm that has been imposed.

In accordance with the terms of sections 214(a) and 310(d) of the Communications Act, your approval of the merger must first determine that the proposed transaction is in the public interest, convenience and necessity. Further, the public interest standard is a broad, flexible standard that encompasses the broad aims of the Communications Act.

We understand that Section 257 of the 1996 Telecommunications Act empowers the Federal Communications Commission (FCC) to eliminate market entry barriers for entrepreneurs and other small businesses like us. Clearly the pattern and practices of MCI toward QUEST and to other agents as well, is not within the spirit of that legislation.

Your approval of this merger would allow for the creation of a telecommunications giant. We respectfully believe that it is the obligation of the public trust to ensure that the rights of these two merger candidates to pursue the benefits of the 1996 Telecommunications Act are not achieved at the expense of the rights of smaller constituents such as ourselves. We expect to follow up with further supplemental information. Please respond to the address listed below.

Very truly yours,



John Hardin  
CEO – Quest Information Systems

## DETAILED ALLEGATIONS AGAINST MCI COMMUNICATIONS CORPORATION

- The improper diversion of QUEST customer commission revenue owed QUEST through misrepresentation, fraud and deceit
- A related and continuous pattern and practice of the solicitation and theft QUEST customers and commission revenue through the use of interstate mail and telephone communications
- A pattern and practice of imposing systems, rules and procedures which deliberately misrepresented the commissions due to QUEST
- A pattern and practice of offering credits, discounts, special incentives and other inducements to QUEST customers to gain their collaboration in the improper diversion of QUEST commissions
- MCI sales channels diverted QUEST revenue by closing down QUEST accounts, setting up new accounts and by changing QUEST customer account numbers in the internal computer systems
- MCI senior managers were informed of the multiple thefts and improper actions but did not remedy them; they therefore assented to the continued thefts and failed to restore the revenue
- There is the threat of continued future theft; there are no mechanisms in place to assure the stop of the thefts or which provide for the restoration of the stolen revenue
- There is information from other Agents which corroborate our claims and which demonstrate that these actions by MCI are a widespread pattern and practice

Since MCI owns and controls the facilities and information necessary for servicing QUEST customers and since MCI has repeatedly refused to give QUEST access to those facilities and information, then QUEST has had to rely upon the good faith efforts of MCI to deliver the customer support level that will protect QUEST's commission interest in its customers.

MCI has mishandled the customer support for QUEST customers through a practice of denying and delivering delayed and poor service to QUEST customers, for example

- MCI sustained a practice of processing QUEST customer orders substantially late, putting QUEST at a competitive disadvantage with the marketplace and with other MCI sales channels
- This processing delay produced intermediary revenue that was not reported to QUEST and the commission for which MCI refused to pay QUEST
- These delays combined with installation errors caused the loss of discounts and program benefits for any QUEST customers
- These sustained actions by MCI have been detrimental to QUEST retaining its customers and to QUEST operating a viable business
- When QUEST or its customers sought the necessary service through other MCI sources, MCI penalized QUEST by either diverting its customers, diverting its revenue or flatly refusing to pay commissions to QUEST

- These practices have not only harmed our customers but have harmed our business reputation as well.

MCI has continuously inadequately accounted for, reported, paid and reconciled Quest commissions, specifically.

- MCI failed to account for revenues on Quest customers, stolen or otherwise
- MCI produced inaccurate and misleading commission reports, misrepresenting the commissions due to Quest; for example Quest has identified a minimum of nearly 3,000 specific instances where MCI misreported or omitted Quest commissions; these are instances in which MCI agreed it was in error
- MCI imposed financial distress on Quest through excessive delays when making payments for these corrections and omissions; these delays have reached six months and more
- MCI did not disclose the deductions that were made to Quest revenue, thereby keeping from view the improper deductions, such as customer taxes, that were made against Quest revenue

Additionally, MCI has applied economic coercion and has set up an obstacle course of procedures, rules and requirements for engaging in legal dispute resolution that make it virtually impossible for us, as a small business, to achieve due process:

- MCI demands that we only do business with them. Therefore, we have no opportunity to seek alternative revenue to offset the deleterious effects of these predatory practices on our business
- MCI has held back the competitive products from Quest, which Quest needed to preserve its customer base, while using these same products to strip away Quest customers and devastate Quest's business
- In the event that Quest and other agents seek to engage in legal dispute resolution, the MCI tariff imposes excessive fees, posing a barrier to the agent ever having their case heard. Specifically, there is a case that is a matter of public record where an agent was required to pay an up front fee of \$204,000 before their dispute could be heard. A court has characterized this fee as, "patently excessive", "oppressive and burdensome", "against public policy", "onerous", "gravely difficult and inconvenient", "unreasonable, unjust, unconscionable on its face and as a matter of law" and "render[ing] the contractual remedy...to be illusory"
- MCI has imposed economic penalties on Quest for not achieving revenue levels which it impeded through its lack of performance, and through its theft and diversion of Quest revenue
- In addition to the oppressive rules and procedures, Quest has characteristically prolonged its responses and is withholding payment having the effect of imposing economic pressure to frustrate our claim and devastate our business.